

KNOWLEDGE PROGRAMME CIVIL SOCIETY IN WEST ASIA

WORKING PAPER 6

**FARID BOUSSAID**



# STATE-BUSINESS RELATIONS IN MOROCCO



UNIVERSITY OF AMSTERDAM

people  
unlimited  
**Hivos**

## Colophon

First published in June 2010 by the Knowledge Programme Civil Society in West Asia, a joint initiative by

Humanist Institute for Co-operation with Developing Countries  
P.O. Box 85565 | 2508 CG The Hague | The Netherlands  
[www.hivos.net](http://www.hivos.net)



Amsterdam Institute for Social Science Research (AISSR), University of Amsterdam  
Department of Political Science  
Oudezijds Achterburgwal 237 | 1012 DL Amsterdam | The Netherlands  
[www.assr.nl](http://www.assr.nl)



UNIVERSITY OF AMSTERDAM

Design: Tangerine – Design & communicatie advies, Rotterdam, The Netherlands

Cover photo: Market Morocco. From <http://imow.org/wpp/stories/viewStory?storyId=122>.  
© Creative Commons 2.0

ISSN 2210-3473

© University of Amsterdam and Hivos 2010  
All rights reserved.

The publishers encourage fair use of this material provided proper citation is made.

# State-Business Relations in Morocco



# Table of Contents

<b>Introduction</b>	<b>1</b>
<b>Theoretical Framework</b>	<b>2</b>
<b>Brief history of Economic Development in Morocco</b>	<b>4</b>
<b>Business Groups in Morocco</b>	<b>5</b>
<b>The Peak Business Association CGEM</b>	<b>7</b>
<b>Anti-Corruption Campaign</b>	<b>9</b>
<b>Bringing CGEM back into the Fold</b>	<b>11</b>
<b>Conclusion</b>	<b>13</b>
<b>Bibliography</b>	<b>15</b>
<b>About the Author</b>	<b>17</b>



## Introduction

Since the beginning of the eighties there has been a gradual increase in the number of developing countries adopting liberal economic policies. In many cases economic reform has been accompanied by a move to more political liberalization. A large body of literature has emerged of how these two processes of economic and political liberalization are linked, if at all. The Middle East and North Africa have received considerable attention, mainly because of the lack of progress in terms of political liberalization and the partial economic liberalization that is characteristic of these countries.

A cursory comparative glance at this region shows that Morocco stands out for several reasons. It was one of the earliest countries that adopted a structural adjustment program starting in 1983. Unlike many of the other countries in the region, it has maintained, since independence, a fairly liberal economic policy, thereby choosing not to go down the socialist oriented path that was common in the 1960s and 1970s in other Third world countries. Morocco's political life has been characterized by the strong presence of the ruling monarch, who at the same time allowed the existence of multiple parties. It has been regarded as a country that has gradually opened its political system in the past two decades, albeit not completely.

A proper analysis of how economic and political liberalization are linked requires the study of the state-society relationship. Recent scholarship by social scientists on political change in the Middle East and North Africa has mostly focused on civil society. Relatively less attention has been paid to the role of business associations. Given the more prominent role for the private sector in a market economy it is of interest to examine how the relationship between the state and the business community has changed over the past two decades in Morocco. In doing so the focus will be on the peak-business association operating in Morocco, *Confédération Générale des Entreprises du Maroc* (CGEM). Of particular interest are its historical evolution, ties with the state, and with business groups. Closely analyzing the missing link of the business community and its relationship with the state through the lens of the CGEM can reveal important aspects relating to the question whether the private sector can be an actor in democratization processes.

## Theoretical Framework

For such an analysis, one needs to properly conceptualize the business part of the state-business relationship. There are different ways through which business or the private sector can be conceptualized. Haggard, Maxfield and Schneider delineate five broad concepts; business as capital, business as sectors, business as firms, business as associations, and business as networks (Haggard, Maxfield and Schneider, 1997, p.36-38). The focus will be on the business as association concept. Given the dominance of business groups in the Moroccan private sector, the concept of business as firms is briefly discussed as well.

### *Business Groups*

Any discussion of state-business relations has at some point to deal with the issue of business groups and their position vis-à-vis the state, this is especially the case when analyzing developing countries<sup>1</sup>. The words group or conglomerate are used almost interchangeably, but can mean different things. For present purposes, the word business group will be used as defined by Granovetter as “sets of legally separate firms bound together in persistent formal and/or informal ways” (Granovetter, 2005, p.430). Business groups vary in many ways within countries and across countries. The main differences have to do for example whether the group was formed and held together by one family or kinship ties, the structure of ownership and related to this the way it is managed, the extent to which financial institutions are part of the group and finally the relationship with the state (Granovetter, 2005, p.433-434).

### *Business Associations*

The relationship between the state and the private sector can take different forms. Of importance in determining the exact nature of this relationship is the existence or lack of existence of formal business organizations and associations. These associations sometimes come into existence because of (perceived) threats either through increased competition from abroad or due to interventionist behavior by the state. Another possible explanation for the emergence of associations is the active role played by the state in setting these formal networks up. They can perform for the state certain duties which the bureaucracy fails to have the capacity for or as a way to negotiate a path towards reforming the economy (Haggard, Shneider and Maxfield, 1997, p.48-53). Similarly such associations fulfill a useful purpose in the sense that they serve as a controlling device for the state. This is especially the case when associations are staffed by former state officials. Such an association can thus be seen as an extension of the state bureaucracy (Schneider and Maxfield, 1997, p.17).

Whether such networks can easily be set up and work also depends on the structure of the private sector and of the structure of state power. In the case with few large firms, organization is easier but it may be less efficient than dealing with state officials directly. In other words, concentration in terms

---

<sup>1</sup> But not exclusively so. In Sweden, two of the largest groups corporations who's value amounted to 52% of the Stockholm stock exchange in 1995 (Granovetter, 2005, p.431)

of the existence of large conglomerates facilitates association but it does not necessarily mean that influence is exercised through such an organization (Haggard, Shneider and Maxfield, 1997, p.48-53).

The maintenance of a patron-client network is easiest in an environment with few players and high centralization of state power, given the simple fact that each of these few firms would like to lobby directly with the state for rents. Agreeing on a common platform with the other competitors is unlikely. The patron can thus use this competition as a way to enforce his authority.

When the economy is diversified, a different type of association can emerge, an encompassing one representing several sectors and firms of different size. Despite the fact that with more encompassing associations collective action is more difficult to organize, it has been argued that such associations will push for policies that will benefit the economy at large (Schneider and Maxfield, 1997, p.21). In terms of the reduction in rent seeking opportunities, one can argue that such encompassing associations will be able to rally their members behind a common theme like the increase of the rule of law, accountability and transparency. It is more likely that most of the members can agree on such a program, knowing that it will lead to more of a level playing field which at the minimum means that none of the other competitors will have unfair advantage as the result of successful rent seeking. If one analyzes it from the patron view, such an association is more difficult to deal with, because it fundamentally undermines the very structure on which clientelism is based. As soon as there are more calls to get rid of opaque and non-transparent behavior between the central authority and (certain privileged) members of the private sector, the patron will be left with little instruments to exercise his power. Divide and rule and the allocation of rents among clients will be of little value in a more transparent environment governed by the rule of law.

Besides being more encompassing, what makes associations credible partners on the road of economic reform is whether they have the capacity to enforce new rules and regulations among their members. The state will then be more willing to engage with them knowing that such an association can enforce and punish its own members in case abuse is detected (Schneider and Maxfield, 1997, p.28).

Before delving into the specific cases of business groups and business associations in Morocco it is necessary to give a short overview of the economic context since Morocco's independence in 1956.

## Brief History of Economic Development in Morocco

In the two decades after independence, economic policies in Morocco moved from relatively liberal to more state interventionist. The state drew up plans, invested in capital-intensive industry and in large scale agricultural projects. The imposition of trade barriers shielded the economy from outside competition. These import substitution policies seemed to favor a relatively small group of influential families and business groups who benefited from the trade protection and from the Moroccanization (nationalization) policies of the seventies. The relationship between the state and the business community centered mostly around close informal networks between high ranking officials, business leaders and the palace. Formal organizations played a subordinate role in this environment.

When faced with a fall in the price of phosphate in 1976, Morocco had to resort to stabilization measures to head off the economic difficulties. The government set up a plan for the years 1978-1980. The short term stabilization measures, implemented mainly between 1977 and 1981, met with resistance and were either not carried out fully or if they did were not adequate to deal with the structural problems at hand.

The government reduced public spending and focused only on those projects with large sunk costs and spill over effects to other sectors in the economy, like infrastructure projects. Oil price increases, high government spending, and the decline in phosphate earnings and bad harvests in 1980-1982, worsened economic matters (Rhazaoui, 1987, p. 148).

The economic situation worsened and by 1983 the economic figures showed that Morocco was facing an economic crisis. External debt service represented 42% of exports, the debt ratio reached a staggering 84% of GDP, unemployment had reached 29,6%, inflation stood at 10%, and 45% of the population lived below the poverty line. In 1983, the government finally developed a structural reform program which was backed financially by the IMF and the World Bank, partly through debt rescheduling. The main thrust of the reform program was to embark on an export-oriented development path, reduce state control of economic activity through privatization and attract foreign investments. Measures to reach these goals were taken from 1983 onwards and faced fierce opposition, most notably from the left leaning parties but also from business circles (Rhazaoui, 1987, pp. 141-142, p. 154, and Denoeux and Maghraoui, 1998, p.56-58).

The reform measures of the eighties and nineties succeeded in restoring macroeconomic stability, opening up the economy to foreign investment, reducing the vulnerability of the economy to shocks, increasing the role of the private sector and decreasing the role of the state (Denoeux and Maghraoui, 1998, p.63-66). Already in the early nineties signs of recovery were emerging. The economy still showed certain weaknesses, mainly how to finance the large public sector, the dependence on agriculture and the remittances of Moroccans living abroad. The high unemployment rate, inequality and the economic exclusion of a large part of the population are a large by product of the structural policies followed (or at least not sufficiently cured by these policies) (Layachi, 2000, p.26-29).

## Business Groups in Morocco

Prior to the protectorate period, the Sultan and certain families were locked into a mutually dependent relationship. The Makhzen<sup>2</sup> could rely on big merchant families that were predominantly of Fassi<sup>3</sup> origin. In return for protection against invading tribes they provided the state with the financial resources. These families developed close ties with the palace, mainly at the initiative of the palace after independence and benefited from the relative market friendly policies of the post-independence governments, but mostly from the Moroccanization of the Moroccan economy and agricultural sector (Cammet, 2004, p.250). The business community is thus characterized by a dense network of commercial ties, and kinship relations among just a few families. This concentration and the subsequent rise of conglomerates made it easier for the palace to remain active in the economic field. What follows is a brief description of some of the most prominent families and their holding companies.

The Kettani group has been set up by Moulay Ali Kettani, who after making a fortune in the textile industry set about expanding in other sectors as well, including banking. Wafabank was the first of the privately owned banks to be Moroccanized. Moulay Ali Kettani got hold of the majority of the shares of its predecessor (dating back to 1904) and took charge of its Moroccanization. Kettani, of Fassi origin, is widely viewed as having a close relationship with the palace (Henry, 1996, p. 155).

Another group, insofar as it can be called a group given its loose structure is the one set up by Mohamed Karim Lamrani. Lamrani served as prime minister in the eighties and he was head of *Office Chérifien des Phosphates*. Through this position he became a member of the Board of Directors of *Banque Marocaine de Commerce Extérieur* (BMCE). By the end of the seventies he had acquired control of one bank, Credit du Maroc and wielded significant influence in two other banks, *Banque Commerciale du Maroc* (BCM) and *Société Generale Marocaine de Banques* (SGMB). Both Kettani and Lamrani had interests in each others business groups (Henry, 1996, p. 153, 154).

The *Caisse de Dépôt et de Gestion*<sup>4</sup>, a state led financial institution which finances a wide range of activities is an important player. Not only does it fund large investments in the kingdom, it also helps out the state when certain institutions need to be bail out, like in 2000-2001, two state owned banks that came into difficulty mainly due to massive fraud.

No discussion of business groups in Morocco can leave out the dominance of the largest conglomerate, *Omnium Nord Africain*<sup>5</sup> (ONA). An important element in the state-business relationship since 1980 is the fact that the King is “the largest private entrepreneur in Morocco” (Leveau, 1985, p. 257). Through the merging of his economic interests, in 1980, with investments in shares of the foreign bank BNP Paribas, the King was able to consolidate his economic powerbase. The resulting holding company, ONA, is active in many sectors in the economy and has a strong

<sup>2</sup> In Moroccan Arabic, Makhzen means “storehouse”. It is used widely to refer to the state or to the royal household and its elite entourage. Others have used the term when pointing to the informal structure of power in Morocco.

<sup>3</sup> From the city of Fes. Most of these wealthy families do not live anymore in Fes, but have moved and continued their wealth creation in Casablanca.

<sup>4</sup> CDG is the government entity that invests Morocco's pension funds and is the leading institutional investor

<sup>5</sup> “French and Dutch banks founded the original ONA conglomerate in 1919 to consolidate their interest in Morocco, establishing in 1943 an auxiliary transport company called ONA” (Cammett, 2007, p. 87).

presence on the international scene as well (Zartman, 1987, p. 29). The combination of these new investments in the modern sector and the vast royal land holdings inevitably meant that the business community in its dealing with the state has to take into account the actions of ONA. In other words, the King can influence the business community not only through the channels of the state, but also through direct economic competition. This is a unique setting in which "no Moroccan businessman has been able to occupy an important place in the private sector since independence without the personal agreement of the King. Sometimes his intervention takes the form of an invitation to take over a particular enterprise in association with a foreign partner, with an offer of personal or financial support" (Leveau, 1985, p. 257).

Before moving to how the private sector is organized through CGEM it is worth illustrating, through the example of the financial sector, how these business groups are interlinked.

The Moroccan banking sector is highly concentrated and of an oligopolistic nature, with a few public owned banks, while most of the private banks have foreign shareholders. Reform of the financial sector only commenced in 1991 and is still underway. There are a few landmark events in the past twenty years in the banking sector. The first significant one happened in 1988 when ONA bought a major share in BCM when the French *Crédit Industriel et Commercial* signalled that it wanted to reduce its share in BCM. This gave ONA a golden opportunity to increase its access to the banking sector (Henry, 1996, p.150). BMCE was privatised in 1995 and from then on led by Othman Benjelloun, of Fassi origin and the head of the Benjelloun Groupe. In late 2003 an agreement was reached between BCM and the Kettani family, which basically meant that BCM was taking over Wafabank (OBG, 2004). The merger was finalized in 2004 and a new giant was created and renamed Atijariwafa bank (OBG, 2005). The palace, through ONA, and the Kettani family business interests were now formally linked through the banking sector as well. ONA now holds 31,13% of the shares. By the end of 2006, Atijariwafa bank took over pole position as the largest bank in Morocco (OBG, 2006).

## The Peak Business Association CGEM

The CGEM was founded in 1947, during a period when Morocco was still a protectorate of France and Spain. CGEM was therefore controlled by non-Moroccans, a situation which continued until 1969. When it merged with a Moroccan federation the first Moroccan became president (L'Economiste, June 2009).

After independence it enjoyed close relations with the palace and in the cold war period was supportive of the state's crack down on the left. It was dominated by members of the Fassi elite and managed mainly by a small circle from this elite and former statesmen (two leaders in the 1970s were ex ministers). The members benefited from the patron-client relations they enjoyed with the palace and were well placed to reap the benefits of the Moroccanization policy in the 1970s (Sater, 2002, p.15-16). The CGEM up until the mid 1990s was perceived as an organization close to the state and apolitical. It is thus not surprising that it did not push for an autonomous position calling for the restructuring of the economy along market principles and transparency. To the contrary, many of the members were against the privatization process put in motion by the state as part of the economic liberalization process (Sater, 2002, p. 28).

With the growing role of the private sector in the economy as a result of the economic restructuring and the more modern outlook of a new generation of entrepreneurs things started to change in the mid 1990s. The CGEM became more active and called for a level playing field and more transparency for example when public procurement contracts were awarded (Denoeux, 2007, p. 146).

With the election of Abderrahim Lahjouji in 1994, the CGEM had a leader in house with a vision and a different educational and business background than the previous leaders, who were primarily educated in France. His election program indicated that an "unchangeable choice of liberalization, which implies a definite, progressive disengagement of the state, needs a private sector that is structured, organized and strong" (Sater, 2002, p.18).

Besides leadership changes, more structural changes had taken place as well. The structural change was ironically pushed for by the state, in order to break the opposition among the main players within the CGEM who did not favor the liberalization drive as it threatened their privileged economic positions. It was King Hassan II himself who urged the CGEM to restructure and become more representative by including more members of small and medium enterprises. This led to the inclusion of 24 sectoral federations by the end of 2001, and 31 by 2009, and an increase in firm membership from 400 to 1800 in 2001, to 2500 in 2009. Cross sectoral commissions were set up and the management of the organization was professionalized, through for example stipulating that the CGEM leader, upon election, would stop his or her business activities. More importantly, the CGEM tried to become financially more independent by financing itself through membership fees (Sater, 2002, p.17). The inclusion of small and medium sized enterprises is significant, especially viewed in terms of the patron-client system. Most of these companies are not part of the patron-client networks and thus are stronger proponents of greater transparency. The CGEM was an active lobbyist for

these new members (Denoeux, 2007, p.146). One can thus conclude that the CGEM became more independent from the state and that it was developing the capacity to take a more autonomous position. The push from the state to increase representativeness made it become more encompassing and thus led to policy stances aimed at increasing economy-wide efficiencies.

## Anti-Corruption Campaign

An interesting episode which had a lasting effect to this very day on state-business relationship in Morocco is the anti-corruption campaign that was launched in 1995-1996 by the state authorities. Although brief it revealed the changing dynamics between the state and the private sector.

The newly revamped CGEM and its leader were put to the test in the anti-corruption campaign of 1995-1996, or as it was referred to by the authorities, the *campagne d'assainissement* (clean-up campaign). The campaign started towards the end of 1995 as a campaign against drug trafficking and smuggling, but soon companies, parliamentarians and (senior) custom officials became targets of the campaign when administrative corruption became a goal as well. The effect was that the "the entire context in which Moroccan businesspeople had long been used to operate had been turned upside down. Tacit understandings about which regulations could safely be violated, or who enjoyed virtual immunity from prosecution, no longer applied" (Denoeux, 1998, p.104).

The campaign ended in June 1996 when the CGEM signed a 'gentlemen's agreement' with the powerful Minister of Interior, Driss Basri, which provided for an amnesty in return for a promise by the CGEM to work on creating a more ethical environment within the business community (Sater, 2002, p.14).

The state embarked on this campaign, partly in response to damning reports by international organizations and the international media regarding the pervasive role played by corruption in the economic and political life of Morocco. The rampant corruption basically meant that the division between legal and illegal was blurred and the state was being deprived of vital resources due to widespread tax evasion. The timing is of importance as it came during a time in which the economic adjustment process had led to a decreasing role of the state and an increasing role for the private sector, the latter actively encouraged by the state in its privatization drive (Sater, 2002, p.19).

The campaign was conducted largely by the Minister of Interior, in coordination with the Minister of Justice and Finance. It was obvious that it was a palace/makhzen orchestrated campaign with little involvement by the prime minister, other government officials and parliament. The campaign was largely directed by the Minister of Interior, who had been serving for two decades in this position and was regarded as the strong man of the regime in Morocco during the reign of King Hassan II. Because of this, the campaign was understood in terms of a "determined and powerful display of arbitrary rule on the part of the centralized power" (Hibou, 2004, p.203). It showed that the Makhzen, even in the age of economic liberalism, was not going to allow the independent evolution of the private sector (Denoeux, 1998, p.112). Having the Minister of Interior direct the campaign enabled the King to step in at a later stage and seal a deal which would lessen the tension between the state and the private sector, in a way playing the good cop-bad cop game. The campaign and the way it ended opened up the possibility for the central power to co-opt a new group within the Makhzen system, in this case the emerging business leaders (Sater, 2002, p.23).

As the campaign was reaching its height, the business community feared the consequences not only for entrepreneurs personally, but for the wider economy as a whole. The uncertainty was leading to a slow down in economic activity. The private sector was not as much against the application of the rule of law, but was troubled by the arbitrary use of this argument, arguing that corruption was endemic and would not be solved by putting businessmen behind bars, especially if this was done in an arbitrary way without given due weight to the judiciary process.

The assertive role of the CGEM through its leader Lahjouji led to a perception among the public, observers and the state that the business community was going through a transformation and felt able to argue against the central authority. For someone to stand up in the mid 1990s against the powerful Minister of Interior was quite a courageous act. This resistance and the negotiations that followed with the palace and the Minister of Interior meant that the private sector acquired a new role for itself which was also officially recognized (Sater, 2002, p.24). The new role of the CGEM was not one conquered by the CGEM, but a defensive reaction. It was co-opted at the initiative of the King. It is thus the central power which still wields the instruments to grant amnesty or punish dissidents. Hibou argues that the "independence of the economic sphere from the political is as limited and fragile as ever, insofar as the Makhzen is an economic force that continues to rely on confusion and opacity and where the imaginary of the economic actors remains marked by this vision of submission to the central power" (Hibou, 2004, p.206).

A close analysis of the main component of the agreement that was signed in June 1996 between CGEM and the Minister of Interior gives a good picture of the changing dynamics in the state-business relationship. Basically "the central power promised to end the campaign and to revise the training programs for judges in order to guarantee the independence of the courts. At the same time, the interior minister announced the introduction of commercial courts. These pledges were given in exchange for acceptance of new technical measures to supervise and control the import/export business, and the promise of the CGEM to fight corruption within its own ranks" (Sater, 2002, p.22). On top of that, the businesses agreed to pay up (new) taxes. The agreement covered all the enterprises, including big conglomerates like ONA (Hibou, 2004, p.204). The fiscal aspect had significant consequences for the state coffers. Instead of increasing by 9% as forecasted by the Ministry of Finance, government revenues went up by 23% (Denoeux, 1998, p.118). The state would consult the CGEM on matters regarding transparency and the rule of law. The agreement in a way institutionalized closer consultation between the government and the private sector. Furthermore a promise was made to reduce the administrative barriers for doing business (Denoeux, 1998, p.106).

The campaign and especially this agreement reached between the CGEM and the Minister of Interior has been viewed as redefining the relationship between the state and the private sector. By allowing the CGEM to discuss the issues during a personal meeting with the King and the Minister of Interior, meant that the CGEM was being granted a place within the political process. From now on the CGEM was to be consulted in matters pertaining the economy, while the CGEM displayed a less antagonistic attitude towards the government (Sater, 2002, p.21-22).

## Bringing CGEM back into the Fold

In the years immediately after the campaign the CGEM was widely seen as a legitimate force for change. The positions and publications by the CGEM were taken seriously, especially by the media (Sater, 2002, p.25-26). However, it seems that the more independent role of the CGEM was subsequently undermined by a strategy of the central power to recapture this association. The replacement of Lahjouji with Hassan Chami in 2000 was a sign that old times might return. Chami was part of the old pool of former officials, having been minister of public works in the seventies, director of the important *Office Chérifien de l'Exportation* and a close friend of Driss Jettou (Prime Minister between 2002 and 2007). Although this background turned out not be in his favor during his 2000 campaign, especially not among the emerging entrepreneurs, he still got elected. However, he managed to provoke the wrath of the authorities during his second tenure. Operating along the independent line of CGEM developed since 1995, Chami attacked in 2005, the governance system in Morocco. His main point was that the government was hampered in its functioning due to the undefined lines of responsibilities and the continuous interference from outside the government. It seems the royal entourage interpreted this as an indirect reference to the “Kings businessmen” (Denoeux, 2007, p. 147). As a consequence, he came under fire, personally as well as through his business interests and soon found himself replaced at the election in 2006 by someone closer to the traditional elite and the large conglomerates, especially ONA. The new leader, Moulay Hafid Elalamy, was backed by the business interests<sup>6</sup> close to the palace and in the first uncontested election since 1988 became the new CGEM leader. His vision for the organization was made clear during and after his election campaign; the CGEM should stop from taking confrontational and political stances (Denoeux, 2007, p.147).

With Elalamy at the helm of CGEM, a new page was turned. At the price of gaining better access to the government, CGEM gave up its more confrontational stance of the nineties decade. Elalamy appointed members close to the state apparatus (like Terrab who heads the important *Office Chérifien des Phosphates*, or Kettani of the biggest bank Attijariwafa) and purged civil society and the more politically minded members of the various commissions who were planted there during the time of Chami and Lahjouji. Most of the discussions with the government, on for example on taxation or the government budget, is done behind close doors, and no open wars are being waged through the media. CGEM has taken a more pragmatic approach, avoiding clashes with the state for the sake of just proving its autonomy. In acknowledging the need for a solid partner, the state takes CGEM more seriously and does not feel the need to try and subjugate it.

The CGEM was granted in exchange for a lower profile, the much sought status of *association d'utilite publique*. Among the benefits of such a status granted by the Ministry of Interior is the possibility to raise funds, own property and accept donations (Denoeux, 2007, p.147). Although at first sight this could be seen as a way to strengthen the financial basis of the CGEM and thus make it more independent, it could well mean an even more dependent association. An association that depended only on its membership fees can stay closer to the need of its members than an association that receives money from different (political) sources.

---

<sup>6</sup> For example, he was able to secure funding from Attijariwafa bank in one of the most important investment deal of his business career.

The return of the importance of the large business groups, who had felt estranged in the years before, to CGEM was illustrated by president Elalamy when he admitted that: “yes, I needed ONA, Holmarcom, CDG, Akwa and all the other influential groups in my negotiations with the government” (Economie/Enterprise, May 2009, p.20). The influence of these holdings is made visible through their donations of around 34 million dirhams to CGEM. This fits into the new profile of CGEM. The new funds enabled CGEM to commission studies on which recommendations are based for government action.

The 2009 election of Elalamy's successor proved again the large influence of especially ONA. Chaib, the outgoing vice-president had been the sole candidate. But at the very last minute (40 minutes prior to the filing deadline) Horani, the president of the IT firms association, put himself up as a candidate. His late filing was due to the fact that he initially did not meet the stipulations of CGEM for candidates. His own IT firm was not a direct member of CGEM. In order to solve this administrative problem, ONA stepped in and made him director general of one of its subsidiaries. Chaibi subsequently retracted his candidacy, apparently because he did not want to run against a candidate who was supported by the royal holding (L'Economiste 11 and 12 May 2009). ONA justified its action by arguing it did not want a repeat of the 2006 uncontested election. Its very action however did at the end lead to an uncontested election for the second time in a row. Horani got elected, but with a low participation rate, 2959 votes on a total of 8634 eligible votes. In 2006, also with only one candidate, 4054 votes were cast (TelQuel, 30 May 2009). With Horani, CGEM had at its helm a self-made businessman, responsible for one of the success stories in the Moroccan IT sector. Someone with an international outlook who is a strong proponent of strengthening the international competitiveness of the Moroccan private sector, primarily through the stimulation of innovation. An objective close to the goals set by the current CEO of ONA of nurturing national champions who can compete in the global economy.

With these leadership changes since the end of the nineties it seems that the Makhzen has regained the initiative by not only co-opting but actually capturing an association and hence ensure a more timid stance from the private sector.

## Conclusion

The Moroccan political economy framework has undergone significant changes since the start of the protectorate period. The establishment of modern economic practices by the French and the liberal business environment provided the right incentives for private actors to invest in a nascent industry and to modernize the agricultural sector. Close ties to the palace and the administration benefited a few elite families. The liberal policies continued after independence despite the occasional drawing up of national plans. The Moroccanization policies in 1973 were a prime example of how the monarch, through careful distribution of economic resources, was able to dominate the business community and bring in upcoming elite members into his patron-client network. In this environment it is logical that informal ties are more used and effective than formal representation. It is thus not surprising that the CGEM was not a major autonomous player.

With the economic crisis hitting Morocco at the end of the 1970s, it was necessary to reorient the economic strategy and adopt a structural adjustment program. The rising role of the private sector in the economy inevitably made this section of society a more powerful actor. Breaking the opposition of those who had benefited from the early import substitution policies and the increased representation of firms through associations left the monarch and his entourage in a difficult position. Having estranged part of the older elite and now facing a more vocal set of businessmen who increasingly asserted themselves through the CGEM, seemed to have left the central power little choice but to crack down on these new elements of the business community and the new born CGEM. The anti-corruption campaign of 1995-1996 served this purpose and brought in line an association that attempted to become an autonomous source of power. The central power has used a dual strategy to prevent an autonomous private sector from emerging as a result of the economic liberalization measures. It first strengthened the CGEM in a way to push through the much needed reform and to break the opposition against reform. With the sanitation campaign it demonstrated the reach it still had and co-opted part of the new entrepreneurs. The CGEM was the depoliticized through a gradual change in leadership.

The vital issue that prevents an autonomous private sector from organizing itself through CGEM lies in the structure of the private sector in Morocco, which is largely based on a few holding companies dominating the economic field. Smaller company members of CGEM acquiesce in their subordinate role because a CGEM with these large groups can more effectively lobby for cross-sectoral issues than a more militant CGEM which will be ignored by the government. Having found this balance with the state it is unlikely that the state will allow an estrangement from the private sector which it badly needs for its modernization drive. Similarly as long as the businessmen can have the ear of the government through CGEM it is unlikely they will sponsor pro-democracy movements.

And so it happens that by 2009, the palace is reigning supreme through the largest conglomerate. By acquiring important stakes in the private (especially the banking) sector it controlled an important part of the economy. By controlling the largest bank it had the business community on a tight (credit) leash. And indirectly it controlled the peak business association. In a way it thus contrary to what

John Waterbury wrote in 1970, that 'the king has no other long term strategy than to hope that his short term tactics continue to pay off' (Waterbury, 1970, p.155).

## Bibliography

Cammett, Melani. 2004. Challenges to networks of privilege in Morocco: implications for network analysis. In *Networks of privilege in the Middle East : the politics of economic reform revisited*, edited by Steven Heydemann. New York: Palgrave MacMillan.

Cammett, Melani. 2007. *Globalization and Business Politics in Arab North Africa: a Comparative Perspective*. New York: Cambridge University Press.

Denoeux, Guilain. 1998. Understanding Morocco's 'sanitisation campaign'(December 1995 to May 1996), *The Journal of North African Studies* (3,1): 101-131.

Denoeux, Guilain. 2007. Corruption in Morocco: Old Forces, New Dynamics and a Way Forward. *Middle East Policy* (14,4):134–151.

Denoeux, Guilain and Maghraoui, Abdeslam. 1998. The Political Economy of Structural Adjustment in Morocco. In *Economic Crisis and Political Change in North Africa*, edited by Azzedine Layachi, 55-88. Westport: Praeger.

Economie/Enterprise Magazine May 2009

Granovetter, Mark. 2005. Business groups and social organization. In *The handbook of economic sociology*, edited by Smelser, Neil and Swedberg, Richard. Princeton: Princeton University Press.

Haggard Stephen, Maxfield Sylvia, and Schneider Ben Ross. 1997. Theories of business and business-state relations. In *Business and the state in developing countries* edited by Sylvia Maxfield and Ben Ross Schneider. New York: Cornell University Press.

Henry, Clement. 1996. *The Mediterranean debt crescent : money and power in Algeria, Egypt, Morocco, Tunisia and Turkey*. University Press of Florida.

Hibou, Beatrice. 2004. Fiscal Trajectories in Morocco and Tunisia. In *Networks of privilege in the Middle East : the politics of economic reform revisited*, edited by Steven Heydemann. New York: Palgrave MacMillan.

Layachi, Azzedine. 2000. Reform and the Politics of Inclusion in the Maghrib. *Journal of North African Studies* (5,3): 15-42.

L'Economiste, 11 May 2009

L'Economiste, 12 May 2009

L'Economiste Magazine, June 2009

Leveau, Rémy. 1985. *Le Fellah Marocain Défenseur du Trône*. Paris: Presses de la Fondation Nationale des Sciences Politiques.

Maxfield, Sylvia, and Schneider Ben Ross. 1997. Business, the state, and economic performance in developing countries. In *Business and the state in developing countries* edited by Sylvia Maxfield and Ben Ross Schneider. New York: Cornell University Press.

Oxford Business Group, Emerging Morocco, 2004

Oxford Business Group, Emerging Morocco, 2006

Rhazaoui, Ahmed. 1987. Recent Economic Trends: Managing the Indebtdness. In *The Political Economy of Morocco*, edited by I. William Zartman, 141-158. New York: Praeger.

Sater, James. 2002. Civil Society, Political Change and the Private Sector in Morocco: The Case of the Employer's Federation Confédération Générale des Entreprises du Maroc (CGEM), *Mediterranean Politics* (7,2): 13-29.

TelQuel 30 May 2009

Waterbury, John. 1970. *The Commander of the faithful: the Moroccan political elite: a study in segmented politics*. London: Weidenfeld and Nicolson.

Zartman, I. William. 1987. King Hassan's New Morocco. In *The Political Economy of Morocco*, edited by I. William Zartman, 1-33. New York: Praeger.

## About the Author

Farid Boussaid is a DPhil candidate at the University of Oxford working on state business relations in Morocco. He holds a degree in developments studies from the London School of Economics and degrees from the University of Amsterdam in economics and political science. He has worked for five years as a policy advisor at the Dutch Ministry of Finance, providing advice mainly on issues relating to World Bank, IMF and EU policies. Besides Dutch, French and English, he speaks fluently Arabic.



## About the Knowledge Programme Civil Society in West Asia

The paper is produced in the framework of the Knowledge Programme on Civil Society in West Asia. This is a joint initiative by Hivos and the University of Amsterdam with the purpose of generating and integrating knowledge on the roles and opportunities for civil society actors in democratization processes in politically challenging environments. This programme integrates academic knowledge and practitioner's knowledge from around the world to develop new insights and strategies on how civil society actors in Syria and Iran can contribute to various processes of democratization and how international actors can support this.

For more information contact:

Juliette Verhoeven  
General Coordinator  
Knowledge Programme Civil Society in West Asia  
University of Amsterdam  
Department of Political Science  
Oudezijds Achterburgwal 237  
1012 DL Amsterdam The Netherlands  
E-mail: J.C.Verhoeven@uva.nl

Kawa Hassan  
Knowledge Officer West Asia  
Humanist Institute for Co-operation with Developing Countries  
P.O. Box 85565  
2508 CG The Hague The Netherlands  
www.hivos.net  
E-mail: khassan@hivos.nl

Other papers in this series are also available on [www.hivos.net](http://www.hivos.net):

- Working paper 1: Moth or Flame: The Sunni Sphere and Regime Durability in Syria, by Teije Hidde Donker.
- Working paper 2: Civil Society Activism in Morocco: 'Much Ado About Nothing'?, by Francesco Cavatorta.
- Working paper 3: Civil Society and Democratization in Contemporary Yemen, by Laurent Bonnefoy and Marine Poirier.
- Working paper 4: The Downfall of Simplicity, by Stephan de Vries.
- Working paper 5: Democratization through the Media, by Francesco Cavatorta.
- Working paper 6: State-Business Relations in Morocco, by Farid Boussaid.
- Working paper 7: Civil Society and Democratization in Jordan, by Curtis R. Ryan.
- Working paper 8: Package Politics, by Aurora Sottimano.
- Working paper 9: East European and South American Conceptions of Civil Society, by Marlies Glasius.
- Working paper 10: Internet or Enter-Not: the Syrian Experience, by Salam Kawakibi.
- Working paper 11: The Private Media in Syria, by Salam Kawakibi.